



Austin Energy Rate Review Update

Before the Electric Utility Commission
April 18, 2011





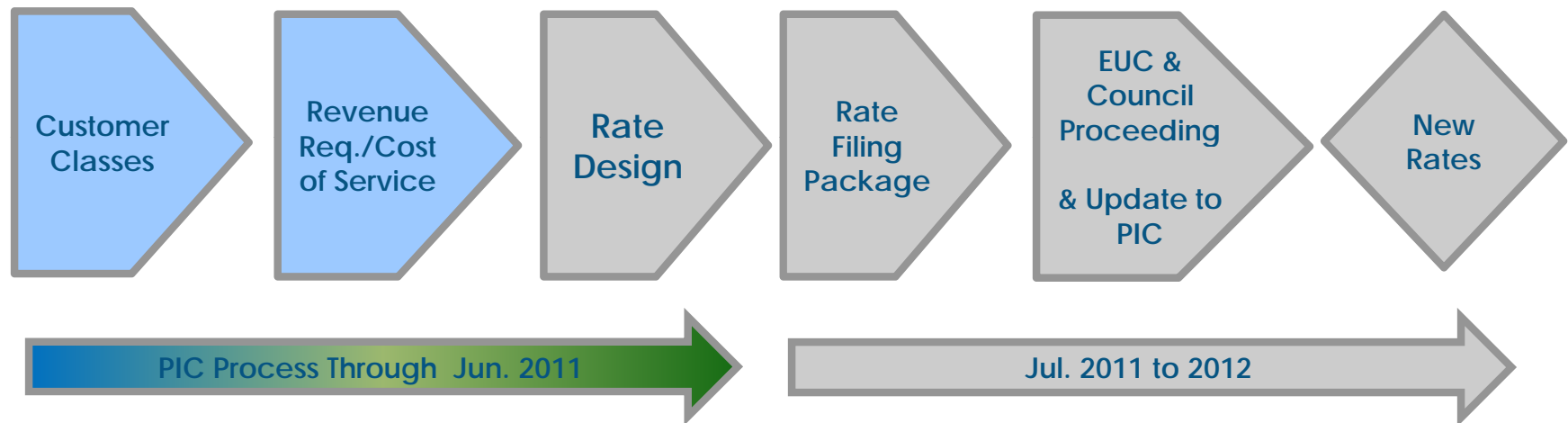
Agenda

- ▶ Overview of Rate Review Process
- ▶ System Revenue Requirement
- ▶ Draft Resolution to:
 - ▶ Rescind POD Requirement
 - ▶ Rate Review Process
- ▶ Next Steps





Rate Review Process





Proposed Customer Classes

Residential

General Service <10 kW

General Service 10 – 49 kW

General Service >50 kW

Primary Service <3 MW

Primary Service 3-20 MW

Primary Service >20 MW

Transmission

Lighting





Revenue Requirement

- What does it cost to run the utility in a typical year?
 - Includes what is used and useful to generate and deliver electricity to retail customers
 - Things have changed over last 17 years





Comparison of Construction Material Costs 1994 to 2009

DESCRIPTION	1994 PRICE	2009 PRICE	% INCREASE
25 KVA Overhead Transformer	\$505.00	\$2,500.00	395%
50 KVA Overhead Transformer	\$744.00	\$2,815.00	278%
Underground Cable Splice	\$0.59	\$2.00	239%
Street Light Pole Assembly	\$190.00	\$295.00	55%
PVC Elbow	\$1.09	\$1.95	79%
Bare Copper (per ft.)	\$0.28	\$1.10	293%
Insulator	\$3.40	\$4.35	28%
20 inch Manhole	\$12.50	\$18.53	48%
45 Foot Pine Pole	\$194.00	\$419.00	116%
40 Foot Pine Pole	\$150.00	\$336.38	124%
	\$1,800.86	\$6,393.31	255%





AE Programs - Added Since 1994

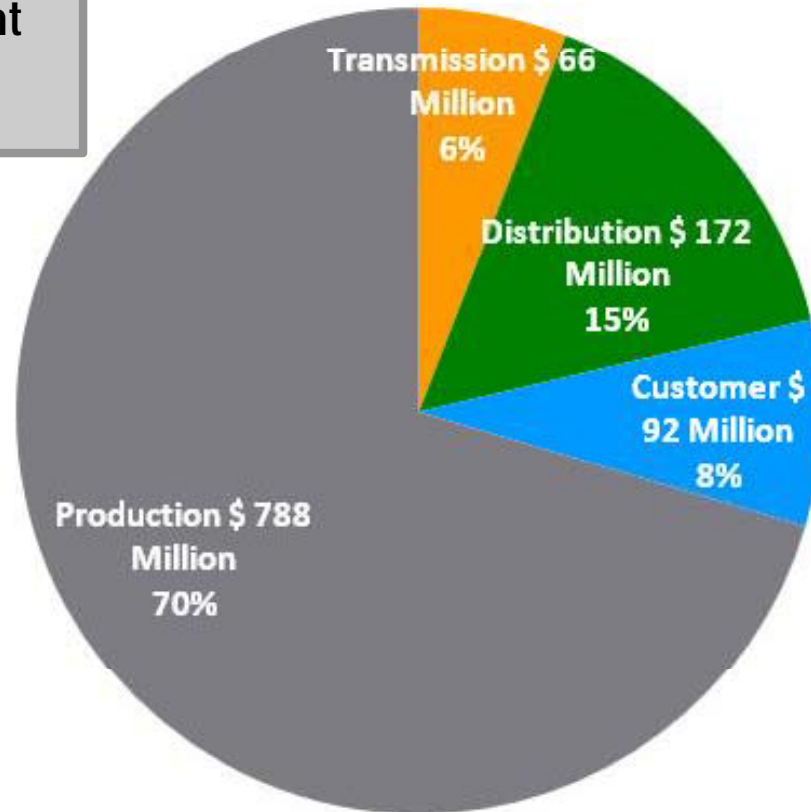
- ▶ New business functions
 - ▶ Deregulated Wholesale Market (TCOS)
 - ▶ Qualified Scheduling Entity (QSE)
 - ▶ Energy Trading/Hedging
 - ▶ Key Accounts
 - ▶ Market Research
 - ▶ Remittance Processing (previously outsourced)
 - ▶ Strategic Planning
 - ▶ Economic Development (EGRSO)
 - ▶ 311 Call Center
 - ▶ Austin Climate Protection
 - ▶ Emerging Transportation Technologies
 - ▶ NERC Compliance Program
 - ▶ ISO9000 Compliance (ESD, Call Center)
- ▶ Program increases
 - ▶ Tree trimming
 - ▶ Energy Efficiency programs
 - ▶ Customer Care (staffing)
 - ▶ Smart Grid Technology
 - ▶ Other Post Employment Benefits
- ▶ New facilities
 - ▶ Sand Hill Energy Center
 - ▶ Operating cost, Maintenance cost
 - ▶ Increased lease cost (space needs for additional staffing/functions)
 - ▶ New customer walk-in center (North)





Revenue Requirement by Function

**Total Revenue Requirement
\$1.1 Billion**



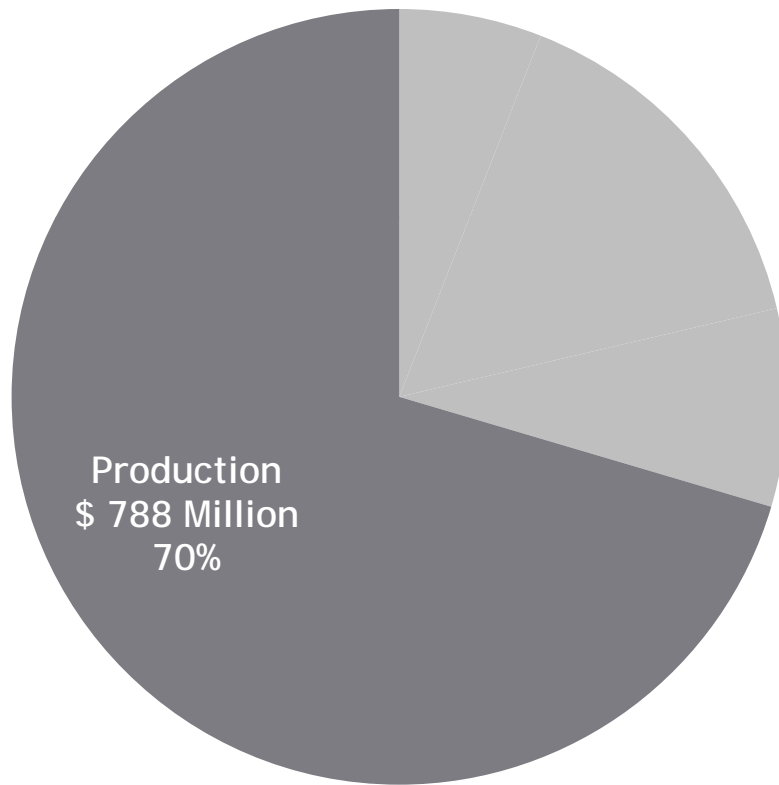
Preliminary: Results subject to review, correction & change.

Percentages do not total 100% due to rounding.





Production Function



Generation of Electricity:

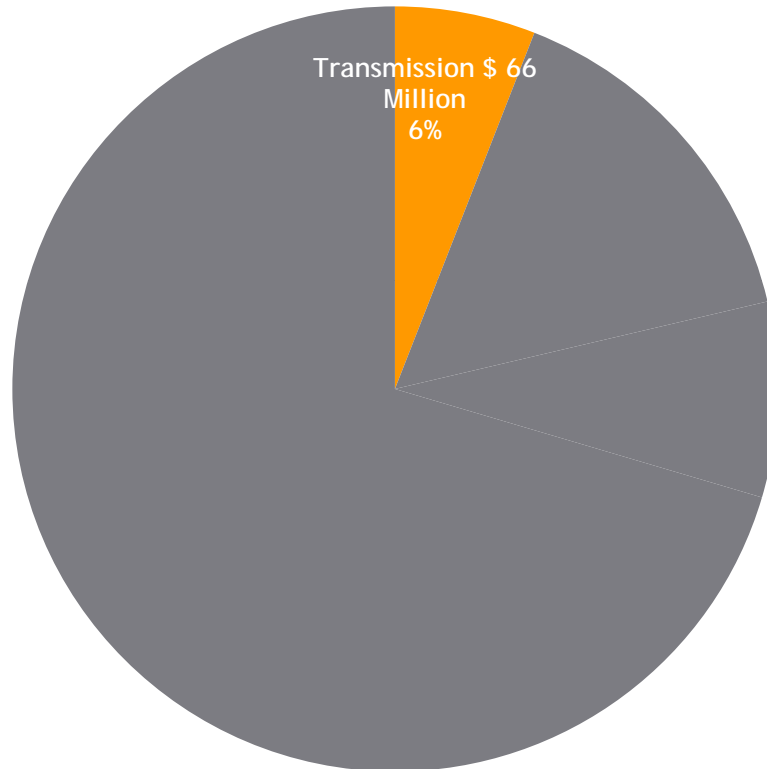
- ▶ Capital costs
- ▶ Operating costs
- ▶ Maintenance costs
- ▶ Environmental costs
- ▶ Energy efficiency
- ▶ System control costs
- ▶ Load dispatching costs
- ▶ Fuel and purchased power
- ▶ Net ERCOT settlement
- ▶ Debt Service



Preliminary: Results subject to review, correction & change.



Transmission Function



Access to ERCOT high voltage grid:

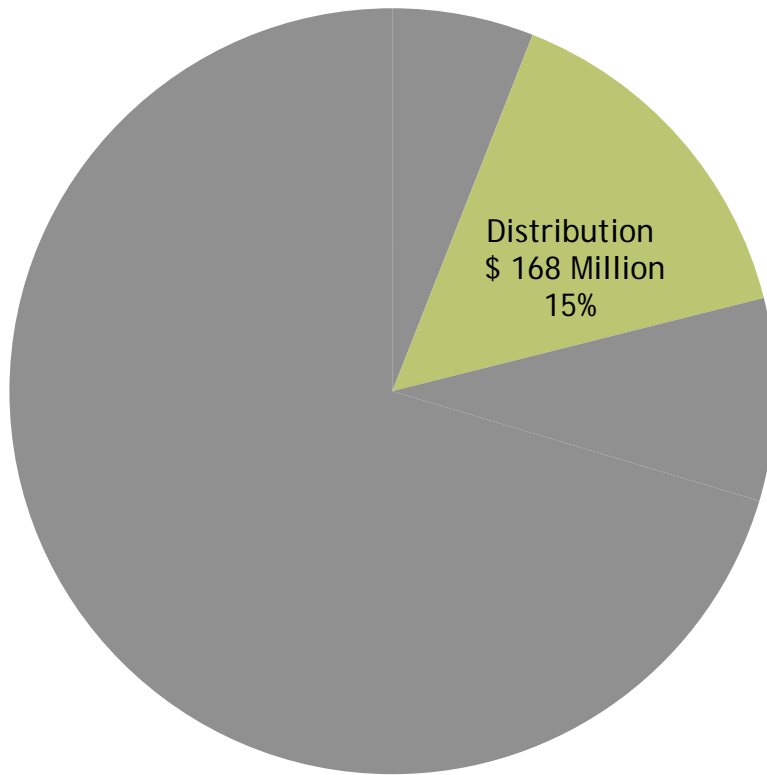
- ▶ Retail customer charge billed to AE
- ▶ CREZ (Competitive Renewable Energy Zone)
- ▶ Other ERCOT transmission provider cost



Preliminary: Results subject to review, correction & change.



Distribution Function



Wires Charge:

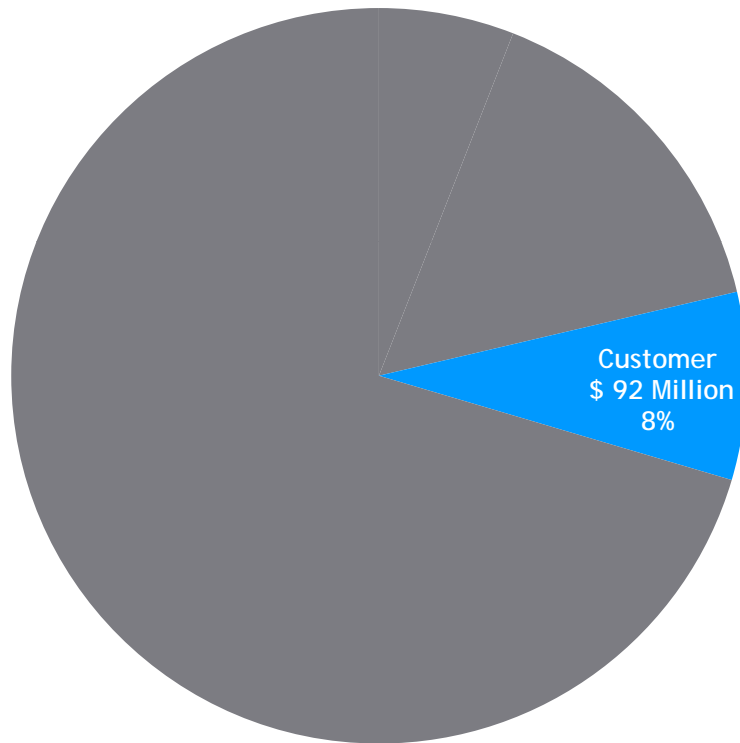
- ▶ Substations
- ▶ Poles
- ▶ Conductors
- ▶ Transformers & services
- ▶ SCADA
- ▶ Operations and Maintenance
- ▶ Smart Grid technology/software
- ▶ Load dispatching
- ▶ Debt Service



Preliminary: Results subject to review, correction & change.



Customer Service Function



Customer Charge:

- ▶ Service Add/Drop to homes or businesses
- ▶ Meter reading
- ▶ Call centers
- ▶ Billing and customer service
- ▶ Uncollectible Accounts
- ▶ Key Accounts



Preliminary: Results subject to review, correction & change.



General Costs Allocated to all Functions

- ▶ General Fund Transfer
- ▶ Franchise Fees
- ▶ Economic Development
- ▶ Administrative and General Costs





AE Preliminary Revenue Requirement

Test Year 2009	
Total Revenue Requirement	\$1,118,300,854
Total Revenue from Rates & Riders	<u>\$999,111,056</u>
Indicated Revenue Shortfall	\$119,189,798
Percent Shortfall	11.9%
\$/kWh	\$0.0947



Preliminary: Results subject to review, correction & change.



Proposed Resolution

- ▶ Outlines schedule and process for EUC recommendation and Council approval
- ▶ Rescind Probability of Dispatch (POD) Resolution 971204-36
- ▶ Rate Analysis and Recommendation Report
- ▶ Residential Rate Advisor
- ▶ Presentation to City Council





Proposed EUC Rate Review Schedule

- ▶ September 1—special meeting
 - ▶ AE's Rate Analysis & Recommendations Report
 - ▶ Decision Point List (DPL)
- ▶ September 19—regular meeting
- ▶ October 3—special meeting
- ▶ October 17—regular meeting





Rate Review Process - Next Steps

- ▶ May-EUC Action on Proposed Rate Process Resolution
- ▶ June-Preliminary Residential Rate Design
- ▶ July-Preliminary Commercial and Industrial Rate Design
- ▶ August-Outstanding Issues and Organizational Discussion for EUC's Formal Review

